

AR25



1966 ANNUAL REPORT

Figs Del.

Figs Del.

FRUEHAUF TRAILER COMPANY OF CANADA LIMITED





FINANCIAL HIGHLIGHTS

	1966	1965
Net Sales.....	\$22,911,688	\$19,348,156
Earnings before Taxes on Income.....	3,595,031	2,467,028
Per cent to Sales.....	15.7	12.8
Net Earnings.....	1,670,031	1,182,028
Per Share.....	1.85	1.31
Net Assets (Book Value) per Share.....	13.72	11.91
Return on Shareholders' Investment.....	13.5	11.0
Number of Shareholders.....	347	357
Number of Employees.....	853	781

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of the Fruehauf Trailer Company of Canada Limited will be held on Thursday, April 20, 1967 at 2.30 p.m. (Toronto Time) at the Executive Offices, 2450 Stanfield Road, Dixie, Ontario.

Proxies will be solicited from Shareholders when the Notice of Annual Meeting and Proxy Statement are mailed on or about March 31, 1967.



The trailers pictured on these pages demonstrate the trend to "train operation". This development, commonly referred to as doubles, enables greater payload with a single power unit.

DIRECTORS

H. E. FOULKROD, Detroit, Michigan
W. E. GRACE, Detroit, Michigan
R. D. ROWAN, Detroit, Michigan
E. L. RUSHMER, Detroit, Michigan
R. J. TELFORD, Toronto, Ontario

OFFICERS

W. E. GRACE, *President*
R. J. TELFORD, *Vice President*
W. T. McDOUGALL, *Treasurer*
E. L. RUSHMER, *Secretary*
N. A. RYAN, *Assistant Treasurer & Assistant Secretary*
A. PURDON, *Assistant Secretary*

TRANSFER AGENT AND REGISTRAR

NATIONAL TRUST COMPANY, LIMITED, Toronto and Montreal

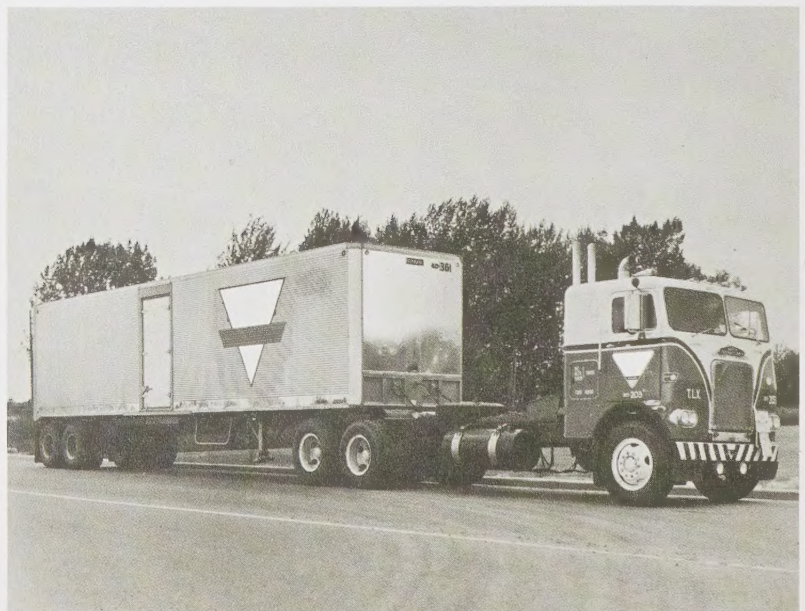
AUDITORS

TOUCHE, ROSS, BAILEY & SMART, Toronto, Ontario

SOLICITORS

BORDEN, ELLIOT, KELLEY & PALMER, Toronto, Ontario

This maximum cube Dry Freight Van with its "Select-a-Point" sliding underconstruction is extremely flexible for cross-country haul in meeting varying Provincial weight regulations.





REPORT ON OPERATIONS—1966

TO OUR SHAREHOLDERS:

In 1966 Fruehauf Canada achieved record sales and pre-tax profit for the third consecutive year. Total sales, \$22,911,688, represented an increase of 18.4% from 1965, while pre-tax profit of \$3,595,031 rose 45.7%. As in 1965, the percentage of increase in pre-tax profit exceeded the percentage increase in sales. Net earnings, after taxes on income, of \$1,670,031, are an all-time high. Net earnings were \$1.85 per share, equivalent to 7.3% of sales, and a return on shareholders' equity of 13.5%.

On March 18, 1966, your Company paid its second dividend, fifty cents per share, since becoming a public company. In view of the improved earnings in 1966, the Board of Directors has increased the dividend. A dividend of seventy-five cents per share was declared on February 15, 1967, to holders of record on February 27, 1967, payable on March 17, 1967. Fruehauf Corporation, the major shareholder, has again waived its right to the dividend to permit the funds otherwise payable to be used in the branch expansion program.

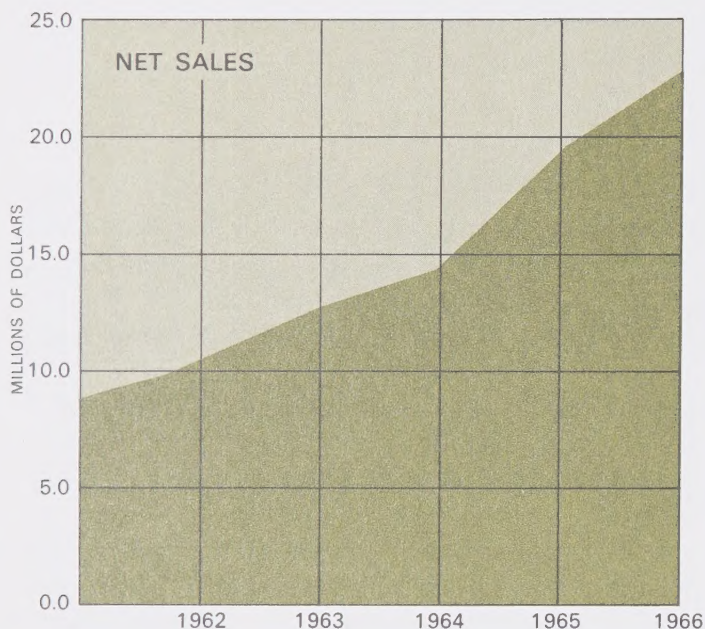
In 1966, we were able to defer the time of payment of income tax on a portion of our sales. This had an immediate cash benefit of almost \$700,000, which will increase to approximately \$900,000 during 1967. The economic benefit of this deferment is increased in periods of high interest rates, as at present. Although the deferred tax will not be payable until future years, it is reflected in the current liability "Taxes on Income" as it is related to the current asset "Installment Contracts".

During the year, with a desirable increase in our Notes portfolio and Leased Equipment, together with the invest-

ment in costly components of the Government Refueller contract, it was necessary to employ bank borrowings. While this has increased our interest cost, it enabled us to generate much greater sales and finance revenue. We have an adequate line of credit for our 1967 fund requirements.

Last year we outlined to you the development of the 4,000 gallon Stainless Steel Aircraft Refueller, indicating that production would commence during the Spring period. Production has progressed to schedule and many of the units are now in service throughout the country. The remainder of the contract will be completed in the first three quarters of 1967. We have also been successful in obtaining a contract for eight 8,000 gallon semi-trailer refuellers. This contract, amounting to more than \$565,000, is presently in the engineering stages.

Our commercial business during the past year has exceeded the industry increase and we have thus improved our market position. Both our trailer and truck body models enjoy wide customer preference and are tried-and-true money makers in any fleet. We have recently installed a spray foam insulation booth at our Dixie manufacturing plant. This installation will enable us to insulate trailers to the highest quality standard for maximum refrigeration performance. This process has undergone extensive development testing by Fruehauf-U.S. before bringing it to the Canadian market. Also, we have introduced in 1967 a new "City Delivery" trailer model. As the name suggests, this unit is designed specifically for intra-city delivery and is built to withstand the demanding service encountered in this type of docking and loading operation.



After careful planning and analysis, the branch facilities expansion program was launched during 1966. Our new twelve service bay branch in Quebec City was completed in February, 1967, and we are now settled in to operation in the new location. We have developed plans and called tenders for extensions of our service repair facilities in Montreal, Calgary and Edmonton. It is planned to have the additions in full operation for summer business. It is our plan to go forward with additions at three more Service Branch locations.

Our forecast for the coming year indicates a year of volume comparable to 1966. We have the benefit of a good backlog and the levelling assistance of our Government orders. We are continuing to maintain a close control over our costs in order to ensure stronger profit results as the economy moves forward. These controls will contribute to the maintenance of a sound position should the pace of the Canadian economy decelerate. It is our belief that as leaders in the truck trailer field, we can look forward to continued progress in the remainder of the sixties. In the mid-sixty three year term we increased our volume by 54% and net earnings by 107%.

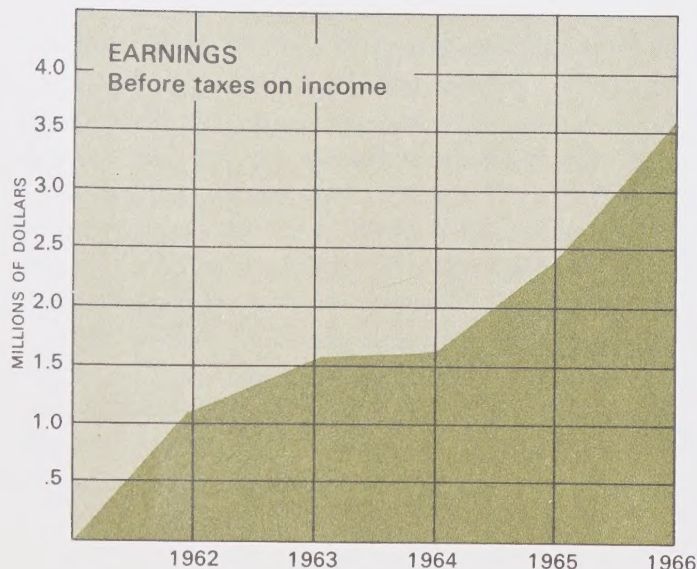
As Canada moves forward into her Centennial Year to celebrate 100 years of progress, we at Fruehauf are proud to have been a part of this growth for the last 40 years. To Canada and to every Canadian we express Confederation Congratulations; the challenges that lie ahead are far greater than those of the last 100 years, but likewise so are the potential rewards. We look forward with confidence to the future, strengthened by the firm belief that each of our employees has a sincere desire to serve our customers well.

On behalf of the Board

W. E. Grace
President

R. J. Telford
Vice President

March 20, 1967





STATEMENT OF NET EARNINGS

YEARS ENDED DECEMBER 31, 1966 AND DECEMBER 31, 1965

	<u>1966</u>	<u>1965</u>
REVENUES		
Commercial sales.....	\$21,181,195	\$19,268,122
Government sales.....	1,730,493	80,034
NET SALES.....	\$22,911,688	\$19,348,156
Finance revenue.....	775,477	632,095
Miscellaneous.....	16,330	18,565
	<u>\$23,703,495</u>	<u>\$19,998,816</u>
COST AND EXPENSES		
Cost of products and service sold, other than items below.....	\$17,088,892	\$15,050,404
Selling and administrative expenses.....	1,697,042	1,470,490
Depreciation.....	743,372	573,113
Taxes — property, payroll, and miscellaneous.....	252,443	183,177
Interest, including \$219,186 on long-term debt.....	326,715	254,604
	<u>\$20,108,464</u>	<u>\$17,531,788</u>
EARNINGS BEFORE TAXES ON INCOME.....	\$ 3,595,031	\$ 2,467,028
Taxes on income.....	1,925,000	1,285,000
NET EARNINGS.....	<u>\$ 1,670,031</u>	<u>\$ 1,182,028</u>

BALANCE SHEETS • FRUEHAUF TRAILER COMPANY OF CANADA LIMITED

ASSETS

CURRENT ASSETS

	December 31, 1966	December 31, 1965
Cash.....	\$ 326,585	\$ 235,857
Trade receivables		
Installment contracts (including installments of approximately \$5,544,000 maturing after one year) less unearned finance charges of \$1,007,667 at December 31, 1966.....	\$ 9,121,303	\$ 7,045,080
Accounts receivable.....	3,696,842	2,518,615
	<u>\$12,818,145</u>	<u>\$ 9,563,695</u>
Less allowance for doubtful receivables.....	150,000	120,000
	<u>\$12,668,145</u>	<u>\$ 9,443,695</u>
Inventories (Note A).....	5,731,247	5,061,049
Prepaid expenses.....	72,811	45,514
TOTAL CURRENT ASSETS.....	<u>\$18,798,788</u>	<u>\$14,786,115</u>

INVESTMENTS AND OTHER ASSETS

Equipment leased to customers — at lower of cost or appraised value, less accumulated depreciation of \$1,111,122 at December 31, 1966.....	\$ 1,687,672	\$ 1,155,984
Miscellaneous accounts and investments.....	184,118	194,686
Special refundable tax.....	26,318	—
	<u>\$ 1,898,108</u>	<u>\$ 1,350,670</u>

PROPERTY, PLANT AND EQUIPMENT

Land — at cost.....	\$ 560,766	\$ 561,610
Buildings and equipment — at cost.....	2,475,257	2,302,272
Machinery and other equipment — at cost.....	2,556,321	2,385,520
	<u>\$ 5,592,344</u>	<u>\$ 5,249,402</u>
Less accumulated depreciation.....	2,096,384	1,874,832
	<u>\$ 3,495,960</u>	<u>\$ 3,374,570</u>

TOTAL ASSETS.....	<u>\$24,192,856</u>	<u>\$19,511,355</u>
-------------------	---------------------	---------------------



incorporated under the Canada Corporations Act)

LIABILITIES AND SHAREHOLDERS' INVESTMENT

CURRENT LIABILITIES

	December 31, 1966	December 31, 1965
Notes payable to the bank — secured	\$ 1,770,000	—
Accounts payable and accrued expenses		
Trade accounts	1,447,655	\$ 1,390,071
Salaries, wages, and employee benefits	368,064	307,985
Taxes — property, payroll, and sales	266,886	186,690
Interest	18,172	17,311
	<u>\$ 3,870,777</u>	<u>\$ 1,902,057</u>
Taxes on income	2,196,975	796,391
Due to Fruehauf Corporation	243,637	536,534
TOTAL CURRENT LIABILITIES	<u>\$ 6,311,389</u>	<u>\$ 3,234,982</u>

OTHER LIABILITIES

Deferred taxes on income	\$ 133,400	\$ 83,400
4% Note to Fruehauf Corporation	3,400,000	3,500,000
5½% Sinking Fund Debentures, Series "A" due November 1, 1976; redemption price to November 1, 1967, 102½%, decreasing ¼ of 1% each year thereafter; annual sinking fund requirements of \$150,000 (no sinking fund payments required until 1968)	1,973,000	1,973,000
	<u>\$ 5,506,400</u>	<u>\$ 5,556,400</u>

SHAREHOLDERS' INVESTMENT

Capital stock, without nominal or par value		
Authorized 2,000,000 shares (Note B)		
Issued and outstanding 901,925 shares	\$ 5,149,063	\$ 5,125,000
Earnings retained for use in the business	7,226,004	5,594,973
	<u>\$12,375,067</u>	<u>\$10,719,973</u>

COMMITMENTS AND CONTINGENT LIABILITIES (Notes C and D)

On behalf of the Board

R. D. ROWAN, *Director*

R. J. TELFORD, *Director*

TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	<u>\$24,192,856</u>	<u>\$19,511,355</u>
--	---------------------	---------------------

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

YEARS ENDED DECEMBER 31, 1966 AND DECEMBER 31, 1965

	1966	1965
Balance at beginning of year.....	\$5,594,973	\$4,451,945
Net earnings for the year.....	1,670,031	1,182,028
	<u>\$7,265,004</u>	<u>\$5,633,973</u>
Less		
Cash dividends paid, \$0.50 a share on 78,000 shares (Note B).....	39,000	39,000
Balance at end of year.....	<u>\$7,226,004</u>	<u>\$5,594,973</u>

STATEMENT OF WORKING CAPITAL

YEARS ENDED DECEMBER 31, 1966 AND DECEMBER 31, 1965

	1966	1965
SOURCES OF WORKING CAPITAL		
OPERATIONS		
Net earnings for the year.....	\$ 1,670,031	\$ 1,182,028
Depreciation of equipment leased to customers.....	457,234	295,384
Depreciation of plant and equipment.....	286,138	277,729
TOTAL FROM OPERATIONS.....	<u>\$ 2,413,403</u>	<u>\$ 1,755,141</u>
OTHER		
Increase in deferred taxes on income.....	\$ 50,000	\$ 47,400
Decrease in miscellaneous accounts and investments.....	10,568	21,270
Proceeds from sale of capital stock.....	24,063	—
	<u>\$ 2,498,034</u>	<u>\$ 1,823,811</u>
APPLICATION OF WORKING CAPITAL		
Cash dividend.....	\$ 39,000	\$ 39,000
Additions to property, plant, and equipment, less disposals.....	407,528	426,057
Additions to equipment leased to customers, less disposals.....	988,922	866,050
Payment on 4% Note to Fruehauf Corporation.....	100,000	500,000
Special refundable tax.....	26,318	—
	<u>\$ 1,561,768</u>	<u>\$ 1,831,107</u>
NET INCREASE (DECREASE*) IN WORKING CAPITAL FOR YEAR.....	<u>\$ 936,266</u>	<u>\$ 7,296 *</u>
WORKING CAPITAL AT BEGINNING OF YEAR.....	<u>11,551,133</u>	<u>11,558,429</u>
WORKING CAPITAL AT END OF YEAR.....	<u>\$12,487,399</u>	<u>\$11,551,133</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1966



Note A — Inventories

Inventory amounts are based upon physical determinations during the year and have been stated at the lower of cost or market prices. Cost prices are determined by the first-in, first-out method, and market prices represent the lower of replacement cost or estimated net realizable amount.

A summary of inventories follows

	December 31,	
	1966	1965
New trailers.....	\$1,253,834	\$ 948,720
Production parts, work in process, and raw materials.....	2,376,616	2,125,766
Service parts and orders in process.....	1,669,215	1,513,763
Used trailers — at appraised values, less estimated disposal costs.....	431,582	472,800
	<u>\$5,731,247</u>	<u>\$5,061,049</u>

Note B — Shareholders' Investment

Up to November 1, 1966, 87,500 shares of the authorized capital of the company were reserved for issuance upon exercise of stock purchase warrants issued with the 5¼% Sinking Fund Debentures, Series "A". During the year to the date of expiry, 1,925 shares were issued for cash in the amount of \$24,063.

A dividend of \$0.50 per share was paid during the year on the outstanding shares of the Company, exclusive of the 822,000 shares owned by Fruehauf Corporation which waived its right to the dividend otherwise payable.

Note C — Long-term Leases

The company is lessee under long-term leases for the sales and service branches. The annual rental on such properties will approximate \$178,000 in 1967, exclusive of taxes, insurance, maintenance, and repairs, which are also payable by the company. The company has the right to purchase three of these properties and if these rights were exercised, the aggregate purchase price would amount to approximately \$1,020,000.

Note D — Pensions

Unfunded past service costs of pension plans covering certain employees amounting to approximately \$213,000 at December 31, 1966, are being amortized over thirty-year periods. The amount charged to operations in 1966 for such plans was \$92,875.

AUDITORS' REPORT

The Shareholders,
Fruehauf Trailer Company of Canada Limited.

We have examined the accompanying balance sheet of Fruehauf Trailer Company of Canada Limited as at December 31, 1966 and the statements of net earnings, earnings retained for use in the business and working capital for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and working capital for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 1, 1967.

Jauch, Ron, Bailey Stuart

Chartered Accountants.



Aluminum Dump trailer — This all aluminum, all welded dump unit is the sturdiest, lightest weight unit available in today's market.

COMPARISON OF OPERATIONS

	1966	1965	1964	1963	1962	1961
REVENUES						
Net sales.....	\$22,911,688	\$19,348,156	\$14,867,023	\$12,627,354	\$10,787,579	\$ 8,899,590
Earnings (before taxes on income) of and interest from Trailer Acceptance Company Limited.....						116,184
Finance revenue.....	775,477	632,095	654,197	813,864	795,921	89,990
Miscellaneous.....	16,330	18,565	106,886	43,524	63,802	179,020
	<u>\$23,703,495</u>	<u>\$19,998,816</u>	<u>\$15,628,106</u>	<u>\$13,484,742</u>	<u>\$11,647,302</u>	<u>\$ 9,284,784</u>
COSTS AND EXPENSES						
Cost of products and service sold, other than items below.....	\$17,088,892	\$15,050,404	\$11,951,467	\$10,101,333	\$ 8,748,598	\$ 7,609,416
Selling and administrative expenses.....	1,697,042	1,470,490	1,257,888	1,021,817	965,621	1,023,639
Depreciation.....	743,372	573,113	420,003	393,880	351,887	381,278
Taxes — property, payroll and miscellaneous.....	252,443	183,177	174,162	171,735	160,600	150,572
Interest expense.....	326,715	254,604	253,098	271,331	279,300	132,276
	<u>\$20,108,464</u>	<u>\$17,531,788</u>	<u>\$14,056,618</u>	<u>\$11,960,096</u>	<u>\$10,506,006</u>	<u>\$ 9,297,181</u>
Earnings (Loss*) before Taxes on Income....	\$ 3,595,031	\$ 2,467,028	\$ 1,571,488	\$ 1,524,646	\$ 1,141,296	\$ 12,397*
Taxes on income.....	1,925,000	1,285,000	767,000	32,000	14,982	14,600
NET EARNINGS (LOSS*)	\$ 1,670,031	\$ 1,182,028	\$ 804,488	\$ 1,492,646	\$ 1,126,314	\$ 26,997*
Net earnings (loss*) from each dollar of net sales.	7.3¢	6.1¢	5.4¢	11.8¢	10.4¢	0.3¢*



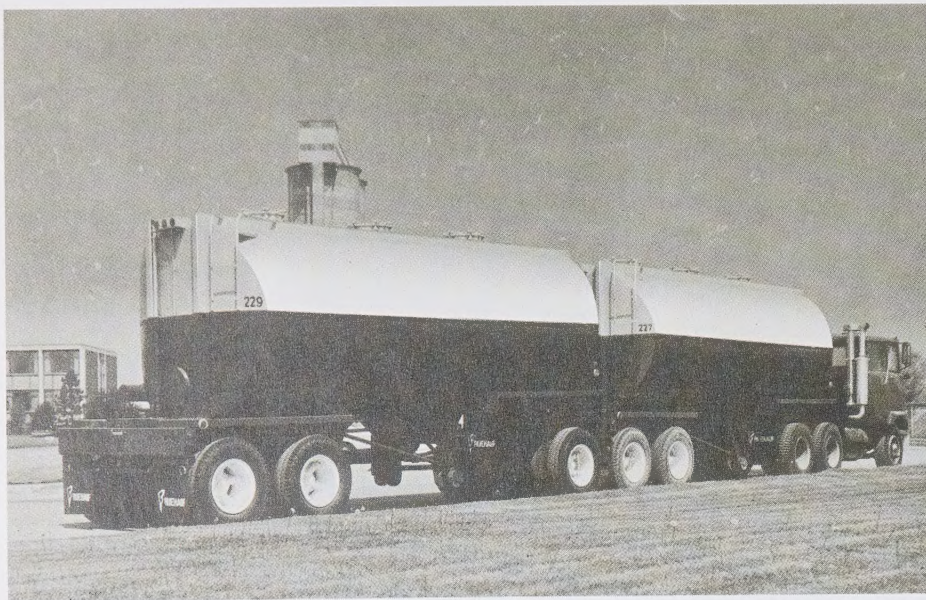
FRUEHAUF — Coast to Coast. Equipped to provide complete customer service at each location.



CENTENNIAL YEAR — 100 years of progress with a panoramic review of the past and forecast of the future at EXPO 67. Centenary of Confederation — Montreal, April 28 to October 27, 1967.

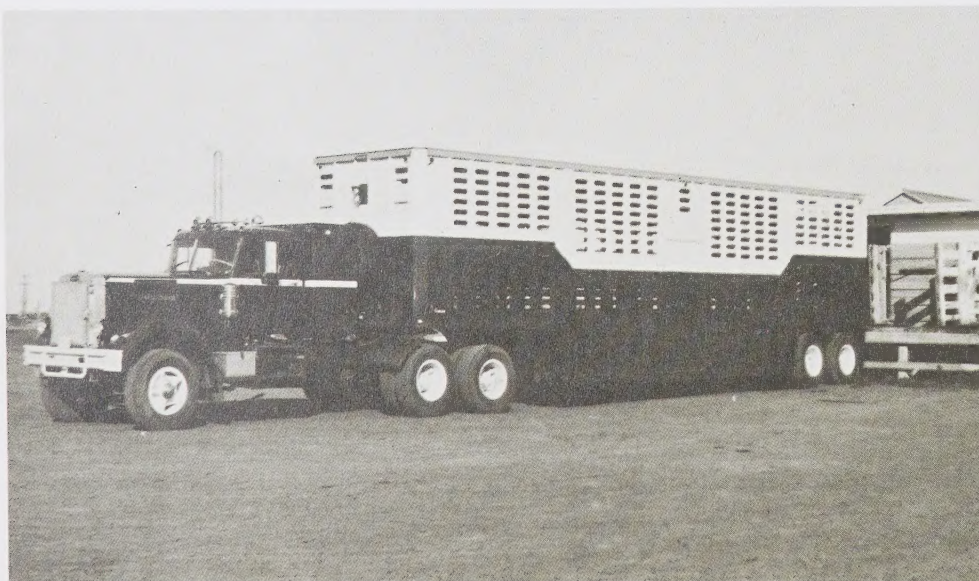
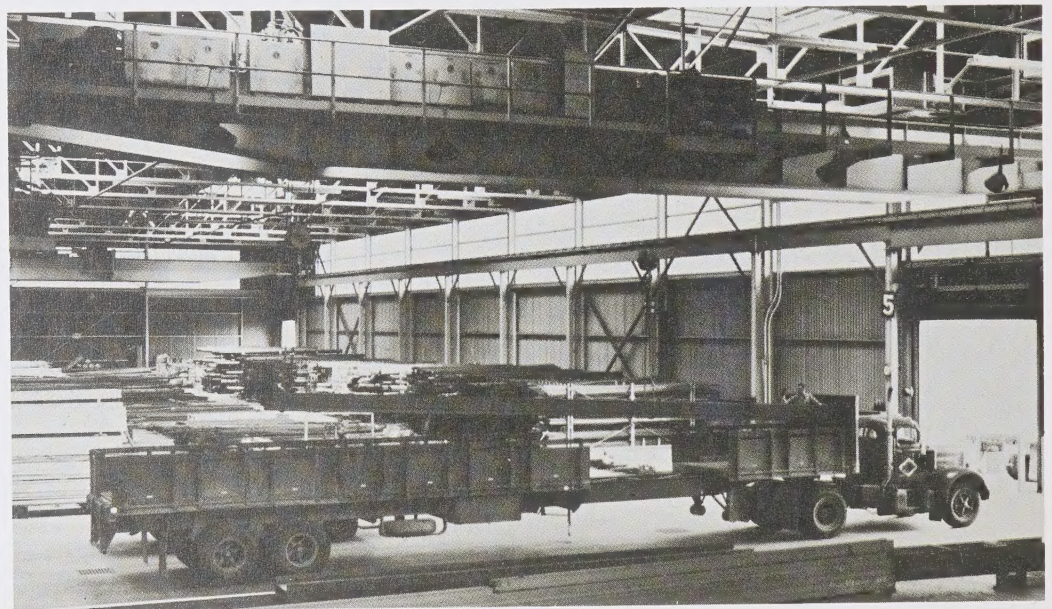


FRUEHAUF CANADA — The Head Office building at Dixie, Ontario.
2450 Stanfield Road
P.O. Box No. 20, Dixie.



Bulk Cement — This train combination provides maximum payload and incorporates its own pressure discharge equipment.

Fruehauf Extendable — This extendable platform rack combination is truly a versatile unit. It can be extended as shown to carry extra long lengths or used closed as a standard stake and rack trailer.



Fruehauf Cattleliner — This livestock van, with its centre drop section and removeable inside decks, facilitates loading as desired on up to three levels as required.

Opposite — The train concept for gasoline delivery — the forward unit, a complete semi-trailer, has a capacity of 5,600 imperial gallons — the rear unit, a full trailer, carries an additional 3,600 imperial gallons.





FRUEHAUF TRAILER COMPANY OF CANADA LIMITED